



Date: July 30, 2008

To: City Manager for Council Action

From: Housing and Community Services Division Manager

Subject: Update of the Neighborhood Conservation and Improvement Program Procedural Manual for 2008

EXECUTIVE SUMMARY:

The 2008 Procedural Manual for the Neighborhood Conservation and Improvement Program (NCIP) has been updated to reflect new provisions to be offered to income-eligible homeowners of the housing rehabilitation program. The Procedural Manual was last updated in October 2007. The NCIP Loan Committee approved this updated version of the Procedural Manual at its regularly scheduled meeting on July 17, 2008. The Procedural Manual describes all aspects of how the City's program shall operate in providing assistance to homeowners in making home repairs. A summary list of the proposed changes is provided as Attachment A to this report. A copy of the updated NCIP Procedural Manual is available in Council Offices for review.

The Loan Committee instructed staff to develop specific measures that were incorporated into this year's update of the Procedural Manual. Proposed changes to the Procedural Manual include: i) incorporating incentives for "green building practices" as a new emphasis of the NCIP, and ii) increasing the loan limits specifically for the cost of installing a reinforced foundation for historically significant homes.

ADVANTAGES AND DISADVANTAGES OF ISSUE:

This updated Procedural Manual will establish new practices for administering the housing rehabilitation program. A new practice will be to perform an energy audit on all homes assisted by the NCIP. No cost or low cost "green procedures" will be applied depending on the type of repair work undertaken. Furthermore, the NCIP will offer "green credits" that can be applied to reduce the loan principle as an effort to promote upgrading to "green building measures" when undertaking particular home repairs.

This updated Procedural Manual will make an exception to the standard \$75,000 loan limit by increasing it to \$150,000 for a historically significant home when the scope-of-work includes replacing an un-reinforce or mudsill foundation with the installation of a reinforced concrete foundation. A preservation agreement would be required of the homeowner when the loan limits exceeds the standard \$75,000.

ECONOMIC/FISCAL IMPACT:

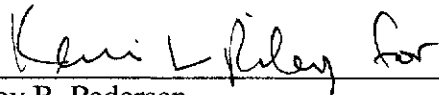
The recommended "green procedures" may result in reducing a clients loan principle by applying "green credits"; the actual dollar value of the credits will varying according to the specific project characteristics. Providing the "green credits" as an incentive to "green practices" will not have a significant effect on the budgetary status of the NCIP.

From: Housing and Community Services Division Manager
Subject: Update of the Procedural Manual of the Neighborhood Conservation and Improvement Program
Date: July 30, 2008
Page 2

The recommended increase to a loan limit for projects involving foundation installation for historical homes will potentially increase the amount of NCIP funds used by a limited number of clients. It is not known how many historic homes in the city lack a reinforced foundation and the homeowner meets the income-eligibility requirements for participating in the NCIP. The Loan Committee will closely monitor the use of this new loan limit provision in order to gauge any fiscal impact it may present to the NCIP budget.

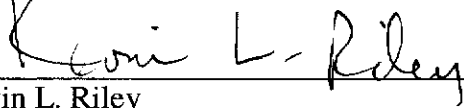
RECOMMENDATION:

That the Council approve the update of the Neighborhood Conservation and Improvement Program Procedural Manual for 2008.



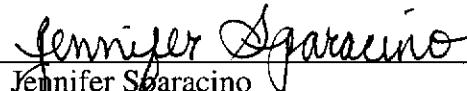
Jeffrey B. Pedersen
Housing & Community Services Division Manager

APPROVED:



Kevin L. Riley
Director of Planning and Inspection

APPROVED:



Jennifer Sparacino
City Manager

Documents Related to this Report:

- 1) *Attachment A, Changes to NCIP Procedural Manual, 2008 Edition*
- 2) *NCIP 2008 Procedural Manual*

Changes to NCIP Procedural Manual, 2008 Edition

(Proposed new verbiage shown with *italics*, deleted language is annotated with a strikethrough-)

- Amendment #1 @ Page 7 regarding Grants

SECTION III NCIP TERMS

A. GENRAL TERMS

The NCIP consists of alternative types of below market interest rate loans.

5. Grants

For soft engineering costs and under special conditions such as handicap accessibility assistance (installation of ramps, grab bars and/or lifts) or correction of emergency structural, plumbing, electrical, roof, ~~and~~ HVAC conditions, *and Green Practices credit* a NCIP grant may be issued.

- g. *Grants for Tier Two Green Practices credits are given to homeowners who have upgraded their projects to maximize energy efficiencies in their home.*

- Amendment #2 @ Page 8 regarding Program Requirements

6. Program Requirements

d. Rehabilitation Standards:

Housing rehabilitation shall be performed according to specifications described in the City of Santa Clara's Housing Rehabilitation Program Project Manual. Rehabilitation funded under this program will be limited to modest design, materials and standard construction methods. See Section VI (page 22) for detailed information regarding Rehabilitation Standards.

Energy audits shall be performed.

- Amendment #3 @ Page 37 regarding Current Program Limits

APPENDIX II CURRENT PROGRAM LOAN LIMITS

At the Loan Committee's discretion, the Maximum Loan Limit may be increased up to \$150,000 to address costs associated with the installation of a re-enforced concrete building foundation, based on the following criteria:

1. *the foundation installation is for an owner-occupied residential structure;*
2. *the residential structure has an existing situation of a non re-enforced foundation;*
3. *the structure was built prior to 1940, and eligible for listing on the City of Santa Clara Architecturally or Historically Significant Properties;*
4. *the rehabilitation work will conform to federal Secretary of Interior Standards for Rehabilitation of Historical Structures;*

Owner agrees to record on title a historical preservation covenant (e.g.: Mills Act restriction) as state in the Historical Property Preservation Agreement, Exhibit A of Appendix II.

- Amendment #4 @ Page 38 regarding Historical Property Preservation Agreement, Exhibit A of Appendix II.
- Amendment #5 @ Page 50 regarding Appendix V - Green Practice Schedule

APPENDIX V GREEN PRACTICES SCHEDULE

Energy Audit performed on all homes assisted by the NCIP.

Tier One – No/Low Cost Procedures Applied per Scope of Work:

<i>Green Practice</i>	<i>Process</i>
<i>Low flow shower heads.</i>	<i>Water department offers low flow shower heads to residents at no cost.</i>
<i>Low flow toilets.</i>	<i>Install 1.2 flow toilets.</i>
<i>Compact fluorescent lighting.</i>	<i>Silicon Valley Power offers energy saving bulbs to residents at no cost.</i>
<i>Energy Star appliances.</i>	<i>Require participants to purchase Energy Star appliances.</i>
<i>No VOC interior paint.</i>	<i>Only use no VOC paints</i>
<i>Insulate hot water pipes.</i>	

Tier Two – NCIP Green Practices Credits Applied to Loan Principal:

<i>Add 4" ridged foam insulation on low slopping roofs.</i>	<i>60% of the additional upgrade cost of a conventional product/installment up to \$800.</i>
<i>Install a "Cool Roof."</i>	<i>60% of the additional upgrade cost of a conventional product/installment up to \$400.</i>
<i>Replace old existing HVAC duct systems.</i>	<i>60% of the additional upgrade cost of a conventional product/installment up to \$800.</i>
<i>On demand water heaters.</i>	<i>60% of the additional upgrade cost of a conventional product/installment up to \$500.</i>
<i>On demand momentary hot water circulating system.</i>	<i>60% of the additional upgrade cost of a conventional product/installment up to \$400.</i>
<i>Install exhaust fans in bathrooms.</i>	<i>60% of the additional upgrade cost of a conventional product/installment up to \$50.</i>

Silicon Valley Power rebates are also available through Silicon Valley Power:

- air conditioning and refrigerator recycling rebates*
- attic insulation*
- whole house fans*

EXHIBIT A OF APPENDIX II HISTORICAL PROPERTY PRESERVATION AGREEMENT

**RECORD WITHOUT FEE
PURSUANT TO GOV'T CODE SECTION 6103**

Recording Requested by:
Office of the City Attorney
City of Santa Clara, California

When Recorded, Mail to:
Office of the City Clerk
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Form per Gov't Code Section 27361.6

[SPACE ABOVE THIS LINE FOR RECORDER'S USE]

HISTORICAL PROPERTY PRESERVATION AGREEMENT

This Agreement, (herein, "Agreement"), is made and entered into this ___ day of _____, 200_, ("Effective Date"), by and between, _____ ("OWNER"), OWNER of certain real property located in the City of Santa Clara, California, a chartered municipal corporation, and City of Santa Clara, CA ("CITY"). CITY and OWNER may be referred to herein individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

A. Recitals.

(1) CITY administers the Neighborhood Conservation & Improvement Program ("NCIP") as a housing rehabilitation program for low- to moderate-income homeowners.

(2) CITY utilizes federal funding from the Community Development Block Grant and the Home Investment Partnerships Act programs, and from the Redevelopment Agency Affordable Housing Fund to finance housing rehabilitation undertaken by NCIP clients.

(3) The financing offered by the NCIP is provided through grants and loans to homeowners that meet qualifying criteria as set forth in the NCIP Procedural Manual, which is updated by CITY from time to time.

(4) From time to time, an applicant to the NCIP may have a special need for installation of a reinforced concrete foundation in a historically significant house that warrants a rehabilitation loan amount substantially greater than typically issued by the NCIP.

(5) OWNER possesses fee title in and to that certain real property, together with associated structures and improvements thereon, shown on the 2006 Santa Clara County Property Tax Rolls as Assessors' Parcel Number _____, and generally located at the street address, _____, Santa Clara, CA ("Historical Property"). A legal description of the Historical Property is attached hereto as "Legal Description," marked as "Exhibit A," and incorporated herein by reference.

(6) *The Historical Property is on the City of Santa Clara Architecturally or Historically Significant Properties.*

(7) *CITY and OWNER, for their mutual benefit, now desire to enter into this Agreement both to protect and preserve the characteristics of historical significance of the Historical Property, as well as to reach judgment for the issuance of a loan amount significantly larger than typically offered through the NCIP.*

B. Agreement.

NOW, THEREFORE, CITY and OWNER, in consideration of the mutual covenants and conditions set forth herein, do hereby agree as follows:

(1) **Effective Date and Term of Agreement.** *The term of this Agreement shall commence on the effective date of this Agreement, and shall remain in effect for a term of twenty (20) years thereafter. Each year upon the anniversary of the effective date, such initial term will automatically be extended as provided in paragraph 2, below. The term of this is Agreement shall remain in effect independent of the NCIP loan, including any advanced loan repayment that caused the establishment this Agreement.*

(2) **Renewal.**

(a) *Each year on the anniversary of the Effective Date of this Agreement, ("renewal date"), one (1) year shall automatically be added to the initial term of this Agreement unless notice of nonrenewal is mailed as provided herein.*

(b) *If either the OWNER or CITY desire in any year not to renew the Agreement, OWNER or CITY shall serve written notice of nonrenewal of the Agreement. Unless such notice is served by OWNER to CITY at least ninety (90) days prior to the annual renewal date, or served by CITY to OWNER at least sixty (60) days prior to the annual renewal date, one (1) year shall automatically be added to the balance of the remaining term of the Agreement as provided herein.*

(c) *OWNER may make a written protest of the notice. CITY may, at any time prior to the annual renewal date of the Agreement, withdraw its notice to OWNER of nonrenewal. If either CITY or OWNER serves notice to the other of nonrenewal in any year, the Agreement shall remain in effect for the balance of the term then remaining, either from its original execution date or from the last renewal date of the Agreement, whichever may apply.*

(3) **Standards for Historical Property.** *During the term of this Agreement, the Historical Property shall be subject to the following conditions, requirements, and restrictions:*

(a) *OWNER shall preserve and maintain the characteristics of historical significance of the Historical Property. "The Secretary of Interior's Rehabilitation Standards," marked as "Exhibit B" to this agreement, and incorporated herein by this reference, contains a list of those minimum standards and conditions for maintenance, use, and preservation of the Historical Property, which shall apply to such property throughout the term of this Agreement.*

(b) OWNER shall, when necessary or as determined by the CITY Director of Planning and Inspection, restore and rehabilitate the property to conform to the rules and regulations of the Office of Historic Preservation of the California State Department of Parks and Recreation, the United States Secretary of the Interior Standards for Rehabilitation and the California State Historic Building Code and in accordance with the attached "Description of Rehabilitation Work", marked as "Exhibit "C" to this Agreement, and incorporated herein by this reference and approved by CITY.

(c) OWNER shall allow for periodic examinations, by prior appointment, of the interior and exterior of the Historical Property by representatives of the CITY. The CITY Director of Planning and Inspection shall determine when periodic examinations may be necessary to determine the eligibility of the property involved, and to determine the OWNER's compliance with the terms and provisions of this Agreement.

(4) Provision for Information.

(a) OWNER hereby agrees to furnish CITY with any and all information requested by the CITY to determine compliance with the terms and provisions of this Agreement.

(b) It shall be the duty of the OWNER to keep and preserve, for the term of the Agreement, all records as may be necessary to determine the eligibility of the property involved, and the OWNER's compliance with the terms and provisions of this Agreement.

(5) Cancellation.

(a) CITY may cancel this Agreement if it determines any one of the following:

- (i) the OWNER breached any of the terms or conditions of this Agreement;
- (ii) the OWNER has allowed the property to deteriorate to the point that it no longer meets standards for a qualified historic property;
- (iii) the OWNER has allowed the property to deteriorate to the point that it no longer meets standards as provided for in the Uniform Codes as adopted by the City Code, which include, but are not limited to the Uniform Housing Code, the California State Historic Building Code, the Uniform Fire Code, and the Uniform Code for the Abatement of Dangerous Buildings;
- (iv) the OWNER has not complied with any other local, state, or federal laws and regulations.

(b) CITY may also cancel this Agreement if it determines that the OWNER has failed to restore or rehabilitate the property in the manner specified in subparagraph 3(b) of this Agreement.

(c) In the event of cancellation, OWNER shall be considered in default of the terms of the NCIP loan and subject to immediate payment in full of any outstanding loan principal and interest owed.

(6) No Waiver of Breach.

(a) No waiver by CITY of any breach under this Agreement shall be deemed to be a waiver of any other subsequent breach. CITY does not waive any claim of breach by OWNER if CITY does not enforce or cancel this Agreement. All other remedies at law or in equity which are not otherwise provided for under the terms of this Agreement or in the City's laws and regulations are available to the City.

(7) Mediation.

(a) Any controversies between OWNER and CITY arising out of this Agreement or its breach, shall be submitted to mediation upon the written request of one party after the service of that request on the other party.

(b) If a dispute arises under this Agreement, either party may demand mediation by filing a written demand with the other party.

(c) The procedure for mediation must be done in accordance with professionally accepted standards and shall occur at a time and place in the city of Santa Clara selected by the mediator.

(d) The submission of a dispute to the mediator and the rendering of a decision by the mediator shall be a condition precedent to any right of legal action on the dispute. A judgment confirming the award may be given by any Superior Court having jurisdiction, or that Court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California Mediation Act.

(e) OWNER and CITY shall bear their own cost(s) of mediation.

(8) Binding Effect of Agreement.

(a) The OWNER of the Historical Property, as described in Exhibit "A" hereto, is subject to the covenants, reservations, and restrictions as set forth in this Agreement. CITY and OWNER hereby declare their specific intent that the covenants, reservations, and restrictions as set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the OWNER successors and assigns in title or interest to the Historical Property. Each and every contract, deed, or other instrument hereinafter executed, covering, encumbering, or conveying the Historical Property, or any portion thereof, shall conclusively be held to have been executed, delivered, and accepted subject to the covenants, reservations, and restrictions expressed in this Agreement, regardless of whether such covenants, reservations, and restrictions are set forth in such contract, deed, or other instrument.

(b) CITY and OWNER hereby declare their understanding and intent that the burden of the covenants, reservations, and restrictions set forth herein touch and concern the land in that OWNER legal interest in the Historical Property.

(c) CITY and OWNER hereby further declare their understanding and intent that the benefit of such covenants, reservations, and restrictions touch and concern the land by enhancing and maintaining the historic characteristics and significance of the Historical Property for the benefit, which includes, but is not limited to the benefit to the public, CITY and OWNER.

(9) **Notice.**

(a) Any notice required to be given by the terms of this Agreement shall be provided at the address of the respective parties as specified below or at any other address as may be later specified by the parties hereto.

CITY: City of Santa Clara
Attn: Director of Planning & Inspection
1500 Warburton Avenue
Santa Clara, CA 95050

OWNER: _____

Santa Clara, CA _____

(b) Prior to the entering a contract for sale of the Historical Property, OWNER shall give thirty (30) days notice to the CITY and it shall be provided at the address of the respective parties as specified above or at any other address as may be later specified by the parties hereto.

(10) **No Partnership or Joint Enterprise Created.** None of the terms, provisions, or conditions of this Agreement shall be deemed to create a partnership between the parties hereto and any of their heirs, successors, or assigns; nor shall such terms, provisions, or conditions cause them to be considered joint ventures or members of any joint enterprise.

(11) **Hold Harmless and Indemnification.** To the extent permitted by law, OWNER agrees to protect, defend, hold harmless and indemnify CITY, its City Council, commissions, officers, agents, and employees from and against any claim, injury, liability, loss, cost, and/or expense or damage, however same may be caused, including all costs and reasonable attorney's fees in providing a defense to any claim arising therefrom for which OWNER shall become legally liable arising from OWNER acts, errors, or omissions with respect to or in any way connected with the prosecution of the work performed by OWNER pursuant to this Agreement.

(12) **Attorneys' Fees.** In the event legal proceedings are brought by any party or parties to enforce or restrain a violation of any of the covenants, reservations, or restrictions contained herein, or to determine the rights and duties of any party hereunder, the prevailing party in such proceeding may recover all reasonable attorney's fees to be fixed by the court or mediator, in addition to costs and other relief ordered by the court.

(13) **Restrictive Covenants Binding.** All of the agreements, rights, covenants, reservations, and restrictions contained in this Agreement shall be binding upon and shall inure to the benefit of the parties herein, their heirs, successors, legal representatives, assigns and all persons acquiring any part or portion of the Historical Property, whether by operation of law or in any manner pursuant to this Agreement.

(14) **Agreement Approval.** Based upon the NCIP Loan Committee ("Loan Committee") review of OWNER's eligibility for assistance by the NCIP, this Agreement may be entered into with OWNER. The decision of the Loan Committee may be appealed to the City Manager. The decision of the City Manager shall be final and conclusive in the matter.

(15) **Recordation and Notice.** No later than thirty (30) days after the parties execute and enter into this Agreement, the CITY shall cause this Agreement to be recorded in the office of the County Recorder of the County of Santa Clara.

(16) **Ordinary Maintenance.** Nothing in this Agreement shall be construed to prevent the ordinary maintenance or repair of any exterior architectural feature in or on any Historical Property covered by this Agreement that does not involve a change in design, material, or external appearance thereof, nor does this Agreement prevent the construction, reconstruction, alteration, restoration, demolition, or removal of any such external architectural feature when the Director of Planning and Inspection determines that such action is required for the public safety due to an unsafe or dangerous condition which cannot be rectified through the use of the California State Historic Building Code and when such architectural feature can be replaced according to the Secretary of Interior's Standards.

(17) **California State Historic Building Code.** The California State Historic Building Code ("SHBC") provides alternative building regulations for the rehabilitation, preservation, restoration, or relocation of structures designated as a Historical Property. The SHBC shall be used in the CITY's building permit procedure for any Historic Property which is subject to the provisions of this Agreement. Nothing in this agreement shall be deemed to prevent any fire, building, health, or safety official from enforcing laws, ordinances, rules, regulations, and standards to protect the health, safety, welfare, and property of the OWNER or occupants of the Historical Property or the public.

(18) **Maintenance Easement.**

(a) The OWNER, occupant, or other person in actual charge of a Historical Property or a resource, building, or structure shall keep in good repair all of the exterior portions of such Historical Property, resource, building, or structure, and all interior portions thereof whose maintenance is necessary to prevent deterioration and decay of any exterior architectural feature.

(b) It shall be the duty of the Director of Planning and Building Inspection to enforce this section.

(19) **Severability.** If any section, sentence, clause, or phrase of this Agreement is, for any reason, held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, or by subsequent preemptive legislation, such decision shall not affect the validity and enforceability of the remaining provisions, or portions of this Agreement, and shall not be affected thereby. The CITY hereby declares that it would have enacted this Agreement, and each section, sentence, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid or unconstitutional.

(20) **Integrated Agreement - Totality of Agreement.** This Agreement embodies the agreement between CITY and OWNER and its terms and conditions. No other understanding, agreements, or conversations, or otherwise, with any officer, agent, or employee of CITY prior to execution of this Agreement shall affect or modify any of the terms or obligations contained in any documents comprising this Agreement. Any such verbal agreement shall be considered as unofficial information and in no way binding upon CITY.

(21) **Captions.** *The captions of the various sections, paragraphs and subparagraphs are for convenience only and shall not be considered or referred to in resolving questions of interpretation.*

(22) **Statutes and Law Governing Contract.** *This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California.*

(23) **Amendments.** *This Agreement may be amended, in whole or in part, only by a written recorded instrument executed by the parties hereto.*

IN WITNESS WHEREOF, CITY and OWNER have executed this Agreement on the day and year first written above.

***CITY OF SANTA CLARA, CALIFORNIA,
a chartered California municipal corporation***

APPROVED AS TO FORM:

HELENE L. LEICHTER
City Attorney

JENNIFER SPARACINO
City Manager

ATTEST:

*1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax Number: (408) 241-6771*

ROD DIRIDON, JR.
City Clerk

(Signature of Person(s) executing the Agreement on behalf of OWNERS(s))

By: _____
"OWNER"

Santa Clara, CA _____
Telephone: () - _____

By: _____
"OWNER"

Santa Clara, CA _____
Telephone: () - _____

EXHIBIT "A"

Legal Description

(behind this page)

EXHIBIT "B"

The Secretary of Interior's Rehabilitation Standards

(behind this page)

EXHIBIT "C"

Description of Rehabilitation Work

(behind this page)

NEIGHBORHOOD CONSERVATION AND IMPROVEMENT PROGRAM PROCEDURAL MANUAL

HOUSING REHABILITATION LOAN COMMITTEE MEMBERS

**JAMIE McLEOD
BRICE McQUEEN**

**MICHELLE SMITH
ANNE KEPNER**

CITY COUNCIL

PATRICIA MAHAN, MAYOR

**DOMINIC CASERTA
PATRICK KOLSTAD
JAMIE McLEOD**

**JOE KORNDER
WILL KENNEDY
KEVIN MOORE**

PROGRAM MANAGEMENT

**JENNIFER SPARACINO, CITY MANAGER
KEVIN RILEY, DIRECTOR OF PLANNING AND INSPECTION
JEFFREY B. PEDERSEN, HOUSING AND COMMUNITY SERVICES DIVISION
MANAGER**

**REVISED: July 17, 2008
ADOPTED BY COUNCIL ACTION:**

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SECTION I

INTRODUCTION TO PROGRAM

The purpose of this manual is to provide a reference guide for City staff, the Housing Rehabilitation Loan Committee, and others interested in the standard procedures for processing, supervising and monitoring loans under the Neighborhood Conservation and Improvement Program (NCIP). Along with procedural information there is an appendix containing federal regulations and standard specifications used to implement the Program.

Program Objectives

The objectives of housing rehabilitation are to:

Provide improved housing that is decent, safe, sanitary and within the financial means of people living in the community;

Improve the vitality of the neighborhoods by upgrading substandard housing; and,

Stimulate neighborhood re-investment and beautification.

General Description

The City of Santa Clara NCIP offers technical and financial assistance for repair and rehabilitation of substandard housing. Below market interest rates and special loan terms are available for low and moderate-income homeowners. Provision of accessibility improvements can be offered in limited instances to lower income, handicapped renters based on approval by the property owner.

After determining eligibility, the rehabilitation staff inspects for deficiencies and hazardous conditions and determines necessary repairs. With the approval of the owner, the staff develops work specifications, solicits bids from licensed contractors, and oversees the construction work.

The City of Santa Clara has assisted approximately 1,100 homeowners and lower income tenants since the NCIP began in 1976.

Scope of Guidelines

The scope of these guidelines is limited to rehabilitation projects funded by the federal Community Development Block Grant (CDBG) Program, the HOME Investment Partnership Act (HOME) and the Redevelopment Agency of the City of Santa Clara.

SECTION II

ADMINISTRATION

The Housing and Community Services Division of the Department of Planning and Inspection administers the NCIP. The Housing Rehabilitation Loan Committee (Loan Committee) is responsible for determining Program policies related to the level of assistance provided to clients of the Program. The Loan Committee decides project scope-of-work and terms of financial assistance. The Loan Committee is composed of three members from the community and one City Council member. All four members are appointed by the City Council. The term limits for Loan Committee members are four-year overlapping terms, where one member is retired and replaced every year. A member may, if appointed, serve two consecutive terms. The determination of the City Council is final on all matters related to the functions of the NCIP.

The current staffing for the Program includes a Staff Analyst, a Housing Inspector and administrative support under the supervision of the Housing and Community Services Division Manager. A Staff Analyst II provides assistance in monitoring for compliance with Federal program regulations.

Projects involving major rehabilitation, foundation work or drawings may require professional architectural services to prepare rehabilitation specifications and drawings. In such cases, architect services are retained through program administration.

Loan payment collection services are provided under contract with a loan-servicing agency.

A brief synopsis of each phase of administering the NCIP and who is responsible for completion of the activity is as follows:

A. SUMMARY OF RESPONSIBILITIES

Listed under each activity is a general description of what the activity entails and who is responsible for the completion of the activity.

<u>Activity</u>	<u>Responsibility</u>
INITIAL CONTACT	
1. Outreach.	Staff Analyst
2. Initial contact by applicant.	Staff Analyst
3. Add to waiting list.	Staff Analyst

Activity**Responsibility****QUALIFICATION OF APPLICANT**

- | | | |
|----|--|-------------------|
| 1. | Initial contact and pre-application interview with applicant. | Staff Analyst |
| 2. | Determine applicant qualifications according to eligibility criteria and program guidelines. | Staff Analyst |
| 3. | Site visit and inspection. | Housing Inspector |
| 4. | Loan application packaged, mortgage and income verified, preliminary title report and credit report ordered. | Staff Analyst |

DETERMINATION OF PROJECT VIABILITY

- | | | |
|----|---|-------------------|
| 1. | Property inspected, all necessary reports ordered, deficiency list, plot plan, and preliminary cost estimate completed. | Housing Inspector |
| 2. | Historic and environmental clearance is determined. | Staff Analyst |
| 3. | Lead-based paint requirements determined. | Housing Inspector |
| 4. | Deficiency list and preliminary cost estimate reviewed with applicant. | Housing Inspector |
| 5. | Applicant reviews proposed financial package and determines amount of resources if any to commit to the project. | Staff Analyst |
| 6. | For projects considered for HOME funding, an appraisal of property value is required. | Staff Analyst |
| 7. | Project viability determined based upon cost estimate, owner eligibility, and financial status. | Loan Committee |

PROJECT WRITE-UP AND SELECTION OF CONTRACTOR

- | | | |
|----|---|-------------------|
| 1. | Work write-up and cost estimate completed. Invitation to bid sent to contractors, builders exchange, and minority contractors exchange. | Housing Inspector |
| 2. | Open house schedule (optional) for inspection by bidding contractors. | Housing Inspector |

<u>Activity</u>	<u>Responsibility</u>
3. Bid returned by date specified.	Contractors
4. Bids reviewed for cost reasonableness.	Housing Inspector
5. Contractor Selection	Applicant
6. Applicant signs loan documents and contract with selected contractor. Loan documents recorded; title policy and insurance requested.	Staff Analyst/Applicant
7. Pre-construction conference held. Notice to proceed Analyst/ is determined and issued. Project details are discussed.	Housing Inspector/Staff Applicant/Contractor
8. Submittal of Performance Bond or cash in lieu of bond.	Housing Inspector

CONSTRUCTION PERIOD

1. Contractor obtains necessary permits and bonds.	Housing Inspector/Building Division
2. Contractor begins work.	Contractor
3. Construction monitored.	Housing Inspector
4. Building inspection.	City Building Inspector
5. Contractor requests progress payments Analyst	Housing Inspector/Staff
6. Progress payment approved by applicant.	Housing Inspector/Applicant
7. Project inspected, deficiency list prepared and payment processed and adjusted, as necessary.	Housing Inspector
8. Payment authorization approval. Services	Housing and Community Manager/Planning Director
9. Change order requested and price quoted.	Contractor/Housing Inspector
10. Inspection, determination of need for additional work and cost reasonableness made; written authorization issued or request disapproved.	Staff Analyst/Applicant/ Housing Inspector

Activity**Responsibility****COMPLETION OF CONSTRUCTION**

- | | | |
|----|--|--|
| 1. | Contractor completes construction and requests final inspection. | Contractor |
| 2. | Lead-based paint clearance conducted as required. | Housing Inspector |
| 3. | Final walk through inspection completed and deficiency list prepared and submitted to applicant and contractor. | Housing Inspector/Contractor/Applicant |
| 4. | Contractor completes all items on deficiency punch list and requests final payment. | Contractor |
| 5. | Final inspection and Notice of Completion filed. | Housing Inspector |
| 6. | Contractor issued final payment after Notice of Completion. Final payment of remaining 10% of total contract amount and performance bond will be withheld until Contractor's lien releases have been provided. | Housing Inspector |

PROJECT CLOSEOUT

- | | | |
|----|---|---|
| 1. | Evaluation form provided to applicant. | Staff Analyst |
| 2. | Evaluation form received and results tabulated. | Staff Analyst |
| 3. | Disbursement account reviewed.
Services | Housing and Community Manager/Staff Analyst |
| 4. | Loan recorded as accounts receivable. | Staff Analyst |

PROJECT MONITORING

- | | | |
|----|---|------------------------------|
| 1. | Payment review as specified in loan agreement. | Staff Analyst |
| 2. | Foreclosure, default, change in occupancy review. | Staff Analyst/Loan Committee |
| 3. | Loan payoff and reconveyance. | Staff Analyst |

SECTION III

NCIP TERMS

A. GENERAL TERMS

The NCIP consists of alternative types of below market interest rate loans.

1. *Loan Types*

There are two types of loans available through the NCIP:

Deferred Payment Loans are available for applicants whose total annual gross household income is no greater than 50% of the County median according to current Housing and Urban Development (HUD) guidelines.

Urgent Loans are available for applicants whose total annual gross household income is no greater than 50% of the County median income according to current Housing and Urban Development (HUD) guidelines and the staff has identified an urgent need. The Division Manager will make an immediate determination of urgent need, with review by the Loan Committee at the next Loan Committee meeting. There is a cap of \$10,000 to an urgent loan.

a. Urgent Need is defined as a project that is identified as having extreme safety and/or severe health-related deficiencies. (Section V, Project Selection)

2. *Interest Rates*

The Loan Committee in accordance with the following general guidelines sets interest rates. However, the interest rate may be adjusted at the discretion of the Loan Committee with justification provided by the applicant.

3% simple interest per annum, or as set by the Loan Committee.

3. *Loan Terms*

Loans typically have 20-year terms, however the terms may be extended or reduced at the discretion of the Loan Committee, with justification provided by the applicant.

4. *Loan Limits*

Loan Limits are reviewed and set by the Loan Committee. Factors such as the program budget, fund balance, number of applications pending and average cost per rehabilitation project will be considered in establishing these limits. Current applicable loan limits are provided in Appendix II of this Procedural Manual.

Because of monetary constraints imposed by these loan limits on the Program in general, the individual rehabilitation project may not encompass all of the safety hazards and code

deficiencies that were identified through the initial property inspection. The City shall be held harmless should any future liability be incurred due to failure to correct any remaining safety/code deficiencies. Cost to correct all remaining safety/code deficiencies shall be borne by the property owners.

5. Grants

For soft engineering costs and under special conditions such as handicap accessibility assistance (installation of ramps, grab bars and/or lifts) or correction of emergency structural, plumbing, electrical, roof, HVAC conditions, and Green Practices credit, a NCIP grant may be issued.

- a. Grants for emergency conditions (see Section 5, Paragraph A for definition of priority criteria) are not to exceed \$7,500 per resident or \$10,000 per resident for accessibility projects over a 5-year duration.
- b. The maximum grants amount for any client is \$15,000.
- c. Grants may not be used for home maintenance deficiencies.
- d. Grants for handicapped accessibility improvements, excluding soft costs (installation of grab bars, ramps and wheelchair lifts, etc.) are not to exceed \$10,000 per household.
- e. Since nonprofit organizations are funded by a different funding mechanism, they are excluded from receiving NCIP grants.
- f. If there exists a situation where the full grant limit will be used for handicap accessibility or emergency repair purposes, and the applicant would like other repairs done as well, the additional repairs can be done on an NCIP loan basis.
- g. Grants for Tier Two Green Practices credits are given to homeowners who have upgraded their projects to maximize energy efficiencies in their home.

Provision of handicap accessibility improvements can be offered in limited instances to lower income, handicapped renters based on approval by the property owner.

6. Program Requirements

- a. **To Qualify:**
The total combined household gross income of occupants of a household proposed for rehabilitation assistance must be at or below 80% of the Santa Clara County median income as determined by HUD.
- b. **Loan-to-Value Ratio and Title Lien Position:**
The maximum Loan-to-Value ratio for owner occupied property is 80% after rehabilitation. After rehab value may be determined by comparable sales, appraisal by qualified staff or formal appraisal where other methods are deemed infeasible. As reverse mortgages exceed the maximum Loan-to-Value, the NCIP program cannot enter into loans with homeowners with a reverse mortgage. The NCIP loan shall be recorded on title in no less than third lien position.
- c. **Insurance:**
Property owners receiving rehabilitation assistance in the form of a deferred loan shall provide property insurance against all property damage risks and hazards for the coverage amount required by the City as set forth in the Promissory Note. Adequate insurance coverage shall include Flood Insurance if located in the hundred-year flood plain. The property owner will name the City of Santa Clara as Loss Payee so that any

benefits arising from losses covered by the insurance policy will be paid to the city and applied to the unpaid balance of the secured obligation. The property owner will maintain this insurance coverage until all of the secured loan obligations are paid in full. If the property owner does not furnish the required insurance the property owner authorizes the holder of the Deed of Trust, at its option, to purchase the required insurance and add the premium and finance charges thereon to the principal obligation balance and revise the balance to cover the cost of the insurance. Borrowers will be encouraged to obtain earthquake coverage as an endorsement to the standard insurance requirements.

d. **Rehabilitation Standards:**

Housing rehabilitation shall be performed according to specifications described in the City of Santa Clara's Housing Rehabilitation Program Project Manual. Rehabilitation funded under this program will be limited to modest design, materials and standard construction methods. See Section VI (page 22) for detailed information regarding Rehabilitation Standards.

Energy audits shall be performed.

e. **Relocation Provisions:**

Temporary and permanent relocation benefits will be available in accordance with the City adopted Tenant Assistance Policy and Uniform Relocation Act of 1987 should temporary or permanent relocation of families be necessary.

f. **Lead-Based Paint Hazard Abatement:**

In compliance with the requirements of HUD's Lead-Based Paint Regulations (24 CFR, Part 35), the use of lead-based paint is prohibited. Houses constructed after January 1, 1978, projects that do not disturb paint, and emergency actions are exempt from the lead-based paint requirements. Abatement procedures will be included in the scope of rehabilitation work as indicated by these regulations. All applicants and occupants of assisted units will receive a notice regarding lead paint hazards, any testing/evaluation conducted, and the results of any actions taken.

Lead-based paint requirements by activity and approaches to implementing lead hazard evaluation and reduction are summarized in Appendix IV.

7. *Eligible Activities*

Loans will be made for rehabilitation as specified on the City approved Work Write-up. The Work Write-up shall include work necessary:

a) To meet Housing Code requirements and health and safety standards including correction of the following deficiencies:

Inadequate sanitation, structural hazards, hazardous electrical wiring, hazardous plumbing, hazardous mechanical equipment, faulty water protection, fencing to enclose a possible drowning or other dangerous health and safety hazard, faulty materials and construction, hazardous or unsanitary premises, inadequate fire protection, equipment or improper occupancy.

- b) To eliminate Housing Code violations or incipient Housing Code requirements which cannot readily be observed upon inspection of a particular element of the building. The basis for determination of incipient code requirements will be building elements that show apparent indications of being an imminent and impending code violation or hazardous condition.
- c) To meet Housing Quality Standards (HQS) as defined by the local Public Housing Authority as minimally acceptable housing conditions.
- d) To meet other program objectives including:

Those specific objectives of the Housing Rehabilitation Program contained in the Project Manual, which are necessary to contribute to the general upgrading of the neighborhood, meet zoning requirements and other City standards.

- e) To meet handicapped accessibility objectives:

Providing that the applicant's home is brought up to the health and safety standards, the following home modification items for handicapped accessibility may be eligible activities for handicapped and elderly individuals with physical impairments:

- 1) Widening of doorways and hallways;
- 2) Replacement of door knob with lever or octagonal
- 3) Sliding doors;
- 4) Grab bars;
- 5) Ramps and lifts;
- 6) Appropriate floor coverings;
- 7) Bathtub or shower;
- 8) Altered toilet;
- 9) Light switches lowered, electrical outlets;
- 10) Ball bearing drawers; and,
- 11) Removal of other material and architectural barriers.

- f) Ineligible Items

- 1) Acquisition of land
- 2) Purchase and/or installation of furnishings which are personal and not real property.
- 3) Luxury items, i.e. bathhouses, kennels, swimming pools, or saunas, etc.
- 4) Items that exceed the definition of modest design and/or exceed the specifications for materials and construction techniques contained in the Project Manual.
- 5) Other items as deemed inappropriate by the Loan Committee under the criteria set forth herein.

8. *Hold Harmless Agreement*

Applicants for rehabilitation assistance shall be required to execute a Hold Harmless Agreement prior to the initial inspection of the housing unit. The purpose of the Hold

Harmless Agreement is to release the City from all responsibilities arising from or in consequence to participation in the housing rehabilitation program. The Hold Harmless Agreement includes indemnification of the City for not addressing all identified code deficiencies or health and safety hazards through the rehabilitation program due to extenuating circumstances such as limited financial assistance. The responsibility for repairing any code deficiencies or health and safety hazards beyond what is offered by the rehabilitation assistance program shall be the sole responsibility of the owner.

B. TERMS AND CONDITIONS SPECIFIC TO HOME ASSISTED PROJECTS

1. Overview of HOME Assistance

There are minimal HOME Program requirements regarding the rehabilitation of single-family, owner-occupied housing. A general summary of HOME Program homeowner rehabilitation requirements is provided below. In most cases, the existing NCIP procedures and guidelines can be used.

a. Income Eligibility Requirements

- 1) HOME definitions of income are exactly the same as CDBG definitions of income. The City has adopted the IRS definition of adjusted gross income as defined for reporting on Form 1040. Also, a projected income for the next year to reflect any job or other life changes will be estimated and documented.
- 2) Source documents such as wage statements, interest statements, unemployment compensation statements, etc. MUST be reviewed and placed in the file to determine actual income.
- 3) Income qualifications must be completed before HOME assistance is provided. Income need not be re-examined at the time HOME assistance is actually provided unless more than six months has elapsed since the initial determination.
- 4) Eligible homeowner households must be at or below the 80% of median income standard published by HUD. There is no requirement for further targeting of beneficiaries by income.

b. Eligible Properties

- 1) Single family housing, including condominiums, that are owned fee simple title, or with a 99-year lease interest, are eligible. In addition, multiplex dwellings of no more than four units are eligible for HOME funds with the following considerations:
 - a) If HOME funds directly or indirectly (e.g., common roof) assist any rental units, HOME rental requirements must apply.
 - b) Loan interest rate of 3% and HOME affordability requirements

continue for the full term of the loan. Continuation of loan term is contingent upon 5-year certification of Owner residing in the multiplex and rental unit compliance to income and rent affordability restrictions.

- c) HOME funds can only assist rental units where the residents income qualify for the program, and the Owner must apply rent restrictions s required by HOME. HOME rent restrictions shall be recorded as a Covenant on the property title. Owner must provide the program with verification of rent restrictions on an annual basis.
- 2) HOME restricts use of funds based on the value of the assisted property. The value of the HOME assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area, as published by HUD; or, as determined locally through market analysis. If a local market analysis is used, the entire analysis must be submitted to the HUD area office for review and approval each program year.
- 3) After rehabilitation, value must be established and documented before any work is begun. No minimal acceptable format or standard is prescribed, although a homeowner's estimate is not adequate. The appraisal approach used must be described.

Possible Appraisal Methods:

- a) "Drive-By" appraisals performed by a licensed appraiser or qualified City staff person are acceptable. A property description and sales price of at least three comparable properties should be included.
- b) Estimates of value performed by the Staff Analyst, including comparable sales prices, may be used.

c. Other Eligibility Requirements

- 1) The client must own the property as fee simple, ninety-nine year leasehold interest, condominium, or other form of ownership approved by HUD. Manufactured housing owned and occupied by the beneficiary is eligible.
- 2) The owner must occupy the property as a principal residence. All loan documents, including a deed restriction, must incorporate this requirement. For grants, occupancy would be required during the time assistance is provided.
- 3) Upon completion of rehabilitation, there is no minimum affordability period, although the City may impose such requirements.

d. Rehabilitation Requirements

- 1) HOME assisted homeowner rehabilitation properties must meet all local codes. Thus, emergency assistance is not possible unless it includes a concurrent inspection and work description that identifies and fixes all code violations.
- 2) The City's rehabilitation program must have written rehabilitation standards.
- 3) There are no HOME-imposed energy efficiency standards.

e. Amount of HOME Investment

- 1) The minimum investment for a HOME project is \$1,000 per project. Per HUD regulations, the maximum investment for a HOME project is \$96,477 for a one bedroom unit, \$116,353 for a two-bedroom unit, \$148,932 for a three bedroom unit and \$165,916 for a four or more bedroom unit effective 10/1/2002. These amounts may change each year. If the HOME investment exceeds \$25,000 for a project, the project is considered substantial rehabilitation.
- 2) Small projects (less than \$25,000) should be done as CDBG funded projects.
- 3) Maximum amount of HOME funding to be used for an individual NCIP project shall not exceed \$75,000 per housing unit.

f. Eligible Rehabilitation Costs

- 1) Eligible costs are:
 - a) Hard Costs: Actual rehabilitation costs, including costs to meet HQS or other applicable rehabilitation standards, essential improvements, energy-related improvements, lead-based paint hazards, improvements for persons with disabilities, repair or replacement of major housing systems, and incipient repairs and general property improvements of a non-luxury nature.
 - b) Demolition Costs when part of a rehabilitation project.
 - c) Site Improvements and Utility Connections.
 - d) Soft Costs: Reasonable and necessary costs incurred by the owner, including architectural, engineering or related professional services (inspections, work write-up); financing costs such as loan points, credit and title costs, recordation fees, building permits, legal fees, appraisals and developer fees; and relocation costs (permanent and temporary).
- 2) Current NCIP eligible costs are consistent with HOME.

- 3) Since soft costs are eligible only if "incurred by the owner", as a general rule, they would not be assigned as project costs unless a third party receives the funds. Expenses incurred directly by the City should be applied as HOME Administration expenses.

g. Forms of Financial Assistance

- 1) The options for financial assistance are broad, including loans (deferred or installment payment; interest bearing or not), grants (including rebates) and interest subsidies that leverage other monies. Current NCIP practice is completely acceptable under HOME.

h. Emergency Repairs

- 1) Emergency repairs shall be done with CDBG and RDA funding.

C. TERMS AND CONDITIONS SPECIFIC TO RDA ASSISTED PROJECTS

1. *Overview of RDA Assistance*

There are minimal RDA requirements regarding the rehabilitation of single-family, owner-occupied housing. To qualify for a housing rehabilitation loan from the Agency, Applicant's total estimated monthly housing cost may not exceed Affordable Monthly Housing Cost, defined as:

a. Affordable Housing Cost Eligibility Requirements

- 1) 30% of 70% of area median income, divided by 12 and adjusted for household size appropriate for the size of the home for **Lower Income** (80% AMI) households.
- 2) 30% of 50% of area median income, divided by 12 and adjusted for household size appropriate for the size of the home for **Very Low Income** (50% AMI) households

- b. Determine Applicant's Household Income Category according to chart listed: Incomes listed below are maximum amounts for each category dependent on size of household)

	Very-Low (50% AMI)	Lower (80% AMI)
<u>Household Size</u>	<u>Income Limit</u>	<u>Income Limit</u>
1	\$37,150	\$59,400
2	\$42,450	\$67,900
3	\$47,750	\$76,400
4	\$53,050	\$84,900
5	\$57,300	\$91,650
6	\$61,550	\$98,450
7	\$65,800	\$105,250

Income categories for Santa Clara County is effective March 2008 as published by California Department of Housing & Community Development.

c. Affordable Monthly Cost

<u>Home Size</u> <u>(No. of bedrooms)</u>	<u>Very Low Income</u> <u>Housing Cost</u>	<u>Lower Income</u> <u>Housing Cost</u>
0	\$929	\$1,485
1	\$1,061	\$1,698
2	\$1,194	\$1,910
3	\$1,326	\$2,123
4	\$1,433	\$2,291

persons = # bedrooms plus one

SECTION IV

APPLICATION PROCEDURE

A. Initial Screening Procedure

Upon request by a potential client, City staff will conduct an applicant screening process by telephone or in person. The applicant screening process will enable an initial determination to be made regarding eligibility of the household, property, and the desired rehabilitation activities.

B. Application Review

1. Application Review Process

- a) The application will be reviewed for completeness and all deficiencies will be noted.
- b) The application is logged in, date stamped, assigned an application number, and a file is set up for the client
- c) The file will be assigned to the Housing Inspector for a site inspection after the application for the housing rehabilitation program has been approved.

C. Site Inspection

After the owner's preliminary eligibility is established, the feasibility of rehabilitating the property must be established. The work write-up is a detailed list of specific activities to be undertaken in the course of the rehabilitation project. The Housing Inspector will:

1. Make an appointment date and time to visit and inspect the property. (Determine if an interpreter is needed.)
2. Complete a formal property inspection.
 - a) Review the property condition with owner.
 - b) Develop a deficiency list and preliminary cost estimate immediately after inspection.
3. When inspecting the property, the inspector shall take into account the following:
 - a) Age of the property - If the property is 50 years of age or older, a picture and description of the structure will be sent to the California Department of Parks and Recreation, Office of Historic Preservation. The City's Historical and Landmarks Commission and Planning Commission have a procedure for CEQA review of potentially historic structures.

b) Rehabilitation Feasibility - The Housing Inspector shall make a rehabilitation feasibility determination with the following factors taken into account:

- Location of Structure (zoning/environmental issues)
- Excessive Rehabilitation Costs
- Type of Improvements
- Condition of Structure
- Owner's Needs
- Economic Value after Improvement
- Loan Limits in Effect

SECTION V

ELIGIBILITY DETERMINATION

A. PROJECT SELECTION

In general, persons seeking low interest loans through the NCIP will be processed using the priority criteria. Upon initial review of the owner and project qualifications and a preliminary rehabilitation feasibility determination, the project is added to the end of the waiting list for the applicable program.

Priority One:

1. Extreme Safety Issues:
 - a. Structural damage that could, if failure occurred, cause immediate personal injury.
 - b. Existing conditions creating injury hazards.
 - c. Handicap needs beyond the ability of the grant program to support.
2. Severe Health Related Deficiencies:
 - a. Uninhabitable conditions.
 - b. Environmental conditions.
3. Home Preservation Issues:
 - a. Existing conditions that will result in higher repair; i.e.: roof leakage
 - b. Exterior conditions causing blithe conditions.

Priority Two:

1. All other program allowable rehabilitation issues.

Circumstances the staff will consider in determining priority two projects:

1. A unit, which has been previously rehabilitated with low interest government financing, will not be eligible to be added to the waiting list, unless
 - a. The prior rehabilitation project failed to adequately address all serious life/safety issues; or,
 - b. A workmanship problem exists with prior rehabilitation and work is not holding up to Rehabilitation Standards.
 - c. The Loan Committee determines that additional assistance is justified based on the prior loan amount payment history and current loan terms and limits and the availability of Program funds sufficient to address other applicants to the Program throughout the current fiscal year.
2. Projects that enable City staff to meet certain grant program milestones and program objectives may be given priority where necessary to obtain stated goals.
3. Projects serving large families.
4. The limitation of available funds may result in lower cost projects being given priority, particularly if more units occupied by low-income units can benefit.

B. INCOME LIMITS

In order for a project to qualify for a CDBG, HOME or RDA loan, the household income cannot exceed 80% of the median income for Santa Clara County, adjusted for family size, as published annually by HUD. Income Guidelines at time of manual publication are included in this document as Appendix III.

C. OWNER NOTIFICATION

1. Notification of Loan Committee Consideration
 - a. All owners will receive written notification of the consideration of their application prior to the Loan Committee meeting.
2. Notification of Loan Committee Action
 - a. All owners will get written notification of the decision regarding their application and a statement of appeals process.
 - b. Decisions to deny funding to projects may be appealed. The process of appeal includes the following steps:
 1. Applicant submits written appeal within thirty days following notification of the City's decision regarding their application. Request of appeal should state over-riding reasons to amend the Loan Committee's earlier decision;
 2. Review written appeal by Loan Committee at next regular meeting to determine resolution of issue. Applicant will be notified in writing within seven days of the Committee's decision on the appeal;
 3. If applicant contests Loan Committee's decision on appeal, the matter will be reviewed by a joint meeting of the Loan Committee and City Manager. The City Manager will render final decision on the issue under appeal.

D. VERIFICATION REQUIREMENTS

The following documents shall be obtained to verify eligibility and adherence to the loan approval process and committed to each loan file.

1. Household incomes to be documented by employer verification of income forms, and/or public agency/legal documents as appropriate (i.e., paycheck stubs, 1040's, Social Security, certified evidence of alimony/divorce settlements, evidence of interest income, etc.).
2. Credit history documentation via reputable credit report provider.
3. Preliminary title report from a reputable title company or companies.

4. Most recent property tax bill, and current California Driver's License or other photo identification to document identity of borrower, and owner/occupant.
5. Appraisal means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information, (Title 12, Chapter 2, Section 225.62) and HUD program requirements.

E. WORK WRITE-UP AND COST ESTIMATE

The work write-up is the central management document for the housing rehabilitation program. Among its specific objectives are:

1. To assign a priority of code deficiencies (especially life threatening and health and safety deficiencies) over general property improvements;
2. To guarantee and document the acceptability of financed improvements;
3. To assure mutual understanding regarding work to be performed between the homeowner/applicant and the program;
4. To serve as a basis for obtaining reliable and comparable bids from contractors and subcontractors;
5. To serve City staff as a tool and basis for estimating itemized costs of individual proposed work items;
6. To serve as a basis for the contract between the owner and the contractor and to relate that contract to the program's goals;
7. To inform the funding source of the use of borrowed funds;
8. To serve as a checklist in reviewing work performed;
9. To honor claims for materials and performance; and
10. To serve as a dispute resolution instrument.

F. LOAN PACKAGING

The Staff Analyst will review applications for the following basic information:

1. Verification of Expenses and Income
2. Credit History
3. Property Ownership
4. Title Report
5. Status of Real Estate Taxes and Liens

6. Other information needed to determine the applicant's credit worthiness
7. Rehabilitation Cost Estimate
8. Loan-to-Value Ratio after Rehabilitation
9. Other Relevant Project Information

A Loan Application Summary will be prepared for the Loan Committee with a staff recommendation for disposition. The recommendation will include the proposed loan amount, interest rate, term and any conditions.

G. LOAN COMMITTEE

The Loan Committee consists of four members appointed by the City Council to review individual loan applications and rehabilitation program policy issues. The Committee meets quarterly, or more frequently as required. Project evaluation criteria to be considered by the committee includes:

1. The cost estimate, proposed scope of work, applicant's income status, and project characteristics to verify that program eligibility and loan requirements have been met.
2. Credit report information, loan-to-value ratio, debt coverage ratio, preliminary title report and any other information that may be required to minimize the risk of loss to the City in the event of a foreclosure.

All applicants will be notified in writing of the Loan Committee decision in Section X - Appeals Procedure, page 31.

A rehabilitation project must begin within ninety days of Committee approval (or the start of a new fiscal year if the Committee based the approval of the project contingent on the approval of funds for the new fiscal year). Otherwise, the monies will be placed back into the pool for other projects in line for consideration to be funded.

H. BROWN ACT COMPLIANCE

The Housing Rehabilitation Loan Committee is recognized as a "standing committee" as described in the State Brown Act Open Meeting Law, as amended in 1993. The Committee shall take the steps necessary to comply with the Brown Act requirements for public noticing and conducting open meetings. For the Housing Rehabilitation Loan Committee, a meeting is defined as any congregation of a majority of the members of the Committee at the same time and place to hear, discuss or deliberate upon any item that is within the subject matter jurisdiction of the Committee or the Housing and Community Services Division. In this regard, the following procedures shall be taken:

1. At least seventy-two hours prior to a regular meeting, a meeting agenda shall be provided to the City Clerk for posting. The agenda shall specify the time and place for holding the meeting and contain a brief and general description of each item of business to be discussed or transacted.
2. The Committee shall not discuss or take action on any item not appearing on the posted agenda unless the following conditions can be meant:

- a. Upon a determination by a majority vote of the Committee that an emergency situation exists ("emergency situation" means work stoppage, other activity or crippling disaster which severely impairs public health, safety, or both, as determined by a majority of the Committee.); and,
- b. Upon a determination by a two-thirds vote (or unanimous vote if less than two-thirds are present), that there is a need for immediate action that came to the attention of the Committee subsequent to the agenda being posted.
- c. As a matter of due process, applicants who are agendized for consideration by the Committee will be given written notification in advance of the meeting. This practice of notification should give individuals an opportunity to appear and address the Committee.
- d. Every agenda for regular meetings shall provide an opportunity for members of the public to directly address the Committee on any item of interest to the public, before or during the Committee's consideration of the item, that is within the subject matter jurisdiction of the Committee, provided that no action can be taken on any item not appearing on the agenda unless the action is otherwise determined to be an emergency situation;

I. FAIR POLITICAL PRACTICES ACT COMPLIANCE

The Housing Rehabilitation Loan Committee makes its final decision as defined in the regulations implementing the Fair Political Practices Act. Committee members shall complete Form 700 and submit it to the City Clerk at the time of assuming office and yearly thereafter. Form 700 with instructions is available through the Housing and Community Services Division.

J. INCOME GUIDELINES

A chart of applicable Income Guidelines at time of publication is provided as Appendix III, page 36. The Income Guidelines are applicable to the NCIP for determination of eligibility for federal assistance. HUD determines the household income limits for eligibility with revisions approximately on an annual basis.

K. DISCLOSURE OF CONFIDENTIAL CLIENT INFORMATION

To the extent allowed under law, City agrees to maintain the confidentiality of any information regarding applicants for services offered by the Program pursuant to loan or grant work which may be obtained through application forms, interviews, tests, reports, from public agencies or counselors, or any other source. Without the written permission of the applicant, such information shall be divulged only as necessary for purposes related to the performance or evaluation of the services and work to be provided, and then only to persons having responsibilities under the Program, including those furnishing services under the Program through contracts.

SECTION VI

REHABILITATION STANDARDS

The property rehabilitation standards for this program shall consist of:

- The City of Santa Clara Building, Electrical, Mechanical, Plumbing, Fire and Housing Codes.
- The City of Santa Clara Zoning Ordinance.
- The City of Santa Clara Residential Rehabilitation Standard Specifications.

The City will give priority to the property that contains a housing condition (or incipient condition) that is either a menace or hazard to the continued occupancy, safety, or health of the occupants or to the safety or health of the public, and therefore requires expeditious repair.

The extent of repair made to a structure is dependent on both the general availability of program funds and the established loan limits. In instances where the cost of repairs exceed the funding permitted under the program, the execution and cost of completing work items beyond what is addressed by the NCIP is the sole responsibility of the property owner. The City shall be removed from all responsibility to address work items beyond what is afforded directly with program funds.

The following are commonly used rehabilitation standards that will be used as guides for rehabilitation under this program. HUD Section 8 Housing Quality Standards, as outlined on the following pages, will be applied as a guide that controls program rehabilitation unless the appropriateness of another standard prevails.

A. LIFE THREATENING OR SAFETY REPAIRS

This standard is used to define the most urgent health and safety repairs such as unsafe plumbing or wiring.

All life-threatening hazards, and to the extent feasible, all health and safety hazards, shall be corrected. Life threatening hazards are those causing an immediate threat to the life of an individual. Such hazards may include, but are not limited to:

- Sagging structural parts of a house (e.g., porch, roof, stairways), which are likely to collapse in the immediate future if not supported.
- Electrical conditions which are likely to result in a fire or threaten human life in the immediate future, including overloaded circuits, hazardous fixtures, switches, outlets, or wiring;
- Plumbing repairs, which involve exposed sewage, supply lines which are leaking,

inoperable water heaters;

- Swimming pools and other potential drowning hazards;
- Mechanical system repairs which involve conditions likely to result in a dwelling fire or leakage of gas which could cause serious injury; and
- Other conditions which could result in an explosion or situation seriously affecting a life in the immediate future.

Health and safety hazards are deteriorated or inadequate features of the structure. Such inadequacies include, but are not limited to:

- Lack of energy or water saving devices.
- Defects in electrical and plumbing devices.
- Unsafe entrance and exit facilities.
- Deteriorating or inadequate structural conditions, including crumbling foundations, dry rot, and termite damage.
- Other housing code deficiencies.

B. SECTION 8 HOUSING QUALITY STANDARDS (HQS)

This improvement standard is usually less than full housing code requirements, but contains standards for housing units that may not be included in the local housing or building codes. After rehabilitation, housing units must meet HQS.

C. RESIDENTIAL REHABILITATION STANDARD SPECIFICATIONS

The standard residential rehabilitation specifications are comprised of the Project Manual, Part I and Part II. Project Manual Part I contains the standard construction contract supplementary and general conditions. Project Manual Part II contains the project technical specifications.

D. NEW CONSTRUCTION CODE

Under this standard, rehabilitation must comply with local building code requirements for new construction.

E. SECRETARY OF THE INTERIOR STANDARDS FOR REHABILITATION OF HISTORIC PROPERTIES

These or similar standards must be considered if historically significant structures are to be rehabilitated as part of its rehabilitation program. If historic structures are included in a rehabilitation program, special requirements must be met under the National Environmental Policy Act and the National Historic Preservation Act of 1966, as amended. Structures more than fifty years old will be submitted for review both to the Planning Division of the City's Department of Planning and Inspection and to State of California, Office of Historic

F. HOME REHABILITATION PROPERTY STANDARDS

1. HOME-assisted units must, at a minimum, meet the Section 8 Existing Housing Quality Standards (Refer to 24 CFR 92.251). In addition, all HOME-assisted units must meet all applicable local and state codes, rehabilitation standards, ordinances and zoning ordinances.
2. For projects in which the cost exceeds \$25,000 (Substantial Rehabilitation), the project must meet Federal cost-effective energy conservation and effectiveness standards.

G. LIMIT TO COST OF REPAIRS

The extent of repairs made to a structure is dependent on both the general availability of program funds and the established loan limits, as determined by the Loan Committee. In instances where the cost of repairs exceeds the funding permitted under the program, the execution and cost of completing work items beyond what is addressed by the NCIP is the sole responsibility of the owner. The City shall be removed from all responsibility in addressing work items beyond what is afforded directly with program funds.

SECTION VII

PRE-CONSTRUCTION

A. BID DOCUMENTS

All project bids are to be submitted on the standard project bid package provided by the Housing and Community Services Division.

The bid packet will include:

- Instruction to Bidders
- Bid Document
- Supplementary Conditions
- Drawings (if applicable)
- Job Specifications/Work Write-up

Bidders may obtain sets of the Project Bid Package for a monetary fee as indicated in the Instruction to Bidders.

B. BID PROCESS

The Housing Inspector will obtain competitive bids for all rehabilitation work except for emergency repairs.

Staff will:

1. Prepare a detailed work write-up and cost estimate;
2. Submit the project for open competitive bids;
3. Prepare a "Cost Reasonableness Evaluation" to insure bids are reasonable;
4. Verify Contractor's qualifications and good standing with the State Contractors' Licensing Board and the Federal List of Debarred and Suspended Contractors; and,
5. Try to solicit a minimum of 3 bids per project.

C. CONTRACTOR SELECTION

The owner selects a contractor from the bidding contractors who have submitted acceptable bids. The owner is not required to select the lowest bidder. Bids within a range of 10% above or below the staff or architect cost estimate are considered acceptable unless submitted in a form that deviates from the standard bid documents or that is illegible, unclear, altered or otherwise deficient.

The owner or the City on behalf of the property owner reserves the right to disqualify bids, before, on or after opening, upon evidence of collusion with the intent to defraud or other illegal practices upon the part of the bidder. Any one contractor will not be allowed to bid on a new project if that contractor is currently in the process of undertaking three other similar projects for the City, unless one of the three projects will be completed prior to the start of the new project.

The Housing Inspector will review the List of Debarred Contractors before the owner awards the construction contract to ensure that the contractor is eligible to participate in federally funded work.

D. PERFORMANCE BOND ASSURANCE

Prior to the start of work, having satisfied all conditions, the Owner or City may require the successful Bidder to furnish either Option A or Option B as described:

Option A: A Cash Deposit for not less than twenty five percent (25%) of the total Contract Sum (cash deposit may be in the form of either cash, certified check, money order or certificate or deposit made payable to the City of Santa Clara); or

Option B: A Construction Bond in an amount not less than one hundred percent (100%) of the total Contract Sum. The current powers of attorney for the persons who sign for any surety companies shall be attached to such bonds.

The Cash Bond may be in the form of a bank Certificate of Deposit with the City named as payee or a Cashier's Check made out to the City.

The Cashier's Check or Certificate of Deposit is held in City Clerk's office and released when all work has been accepted or the Notice of Completion is issued and all lien releases are submitted.

E. CONSTRUCTION CONTRACT

The construction contract shall include the following:

1. The proposal and contract form;
2. The work write-up;
3. General conditions;
4. Lead-based paint notice;
5. Documentation of contractor licenses, insurance, and workers' compensation;
6. Non-Discrimination/E.E.O. Certifications; and,
7. Payment procedures.

F. PRE-CONSTRUCTION CONFERENCE

The pre-construction conference shall address the following:

1. Review work write-up, making sure both the owner and contractor understand that only items in the work write-up will be accepted and paid for under the loan (unless there is an approved "change order");
2. Review performance and payment schedule;
3. Review change order procedure, emphasizing that no "additional" work is to be performed without an approved change order;
4. Show and discuss lien release forms;
5. Emphasize contractor responsibility for purchasing permits and calling for inspections;
6. Explain "Notice To Proceed". The Notice specifies the agreed upon "start date" and gives an agreed upon number of calendar days, thereafter for completion of the job. Work performed prior to "start date" is not reimbursable under the program;
7. The construction contract will then be executed between the owner and the contractor.
8. Review relocation requirements, if applicable.

SECTION VIII

CONSTRUCTION MANAGEMENT

A. INSPECTION PROCEDURES

Housing rehabilitation work will be monitored by the Housing Inspector for compliance with specifications set forth in the work write-up and drawings (if applicable). Work not performed to specification will not be accepted. The project file narrative will include a record of all inspections and any findings.

B. PROGRESS PAYMENTS

Upon receipt of a contractor's request for payment, the Housing Inspector and the owner or her/his representative must inspect the work and determine if it is acceptable. In addition, staff must determine if the percentage of work claimed has been completed and if the progress payment schedule has been met. The steps to be followed are:

1. Contractor submits invoice and calls for inspection;
2. Housing Inspector schedules inspection with owner and contractor;
3. Inspection performed and quality and amount of work verified;
4. Contractor, Housing Inspector and owner sign payment authorization;
5. Disbursement Request is prepared by the Staff Analyst and approved by the Housing and Community Services Manager.
6. Disbursement of funds is issued by the City Finance Department.

C. CHANGE ORDERS

No changes may be made in the Scope-of-Work unless prior approval is obtained in the form of a Change Order signed by the contractor, the owner and the Housing Inspector. The Change Order must contain:

1. Description of modifications;
2. Change in contract price;
3. Describe how additional costs (if any) will be covered; and,
4. Certification of cost reasonableness by the Housing Inspector;

D. FINAL INSPECTION

The final inspection follows the general procedure listed in paragraph B above with the following additional steps:

1. A punch list of deficiencies, with a completion date, is prepared and given to the contractor for follow-up;
2. Housing Inspector verifies that the Building Department has completed its final inspections and signed off on the job;
3. Re-inspection of the work will be coordinated with the owner;
4. Contractor will provide all lien releases;
5. If all work is acceptable to the Housing Inspector and the owner, they and the contractor will sign a payment authorization and a final payment will be issued and,
6. A Notice of Completion will be placed in the file.

E. DISPUTE RESOLUTION

Construction related disputes between the owner and contractor shall be resolved in a timely manner. The Housing Inspector and Staff Analyst will assist in mediating disputes.

F. RETENTION

Ten percent (10% of the total contract price) will be retained from the final payment until all lien releases are received or thirty-five days after the Notice of Completion is filed.

G. CLOSEOUT

Upon construction completion, the City shall review loan files for complete conformance to standards required by the NCIP.

H. WARRANTIES AND GUARANTEES

The contractor must guarantee all work, materials, and workmanship for a minimum of one year from the date of filing the Notice of Completion or upon receiving the final payment. Where materials or subcontracted work are covered by an extended warranty, copies of the warranty must be provided to the owner during project closeout. The owner shall make requests for warranty repairs in writing to the contractor.

SECTION IX

LOAN MANAGEMENT

A. Monitoring Requirements

The Staff Analyst is required to monitor compliance with the terms of the loan and general program requirements such as:

1. Loan Repayment - Periodic reports from the loan-servicing agency will be reviewed to monitor loan status. Failure to repay will be cause for implementing default or foreclosure procedures or restructuring the terms of the loan.
2. Occupancy - In situations involving trusts, borrowers are required to periodically certify current occupancy and program eligibility compliance. Non-compliance constitutes grounds for terminating the loan and, if necessary, default proceedings.
3. Insurance Coverage - The City requires all owners that receive rehabilitation loans to maintain adequate hazard and flood insurance with the City designated as Loss Payee in the amount of the loan balance. Owners will be encouraged to obtain earthquake insurance. The staff on an annual basis will review coverage amounts and expiration dates. Owners will be advised to take corrective action if insurance coverage is inadequate or lapses. In the event that an owner ceases to insure the rehabilitation loan, the City holds the authority and ability to invoke insurance coverage on the property to protect the loan for its duration. The cost of insurance and any associated expenses will be added to the indebtedness of the owner for repayment at the time of loan reconveyance. Industry standards will be used to determine the amount and type of coverage required. Failure to maintain adequate coverage constitutes a basis for default.

B. Change in Tenure

If tenure changes for an owner/occupant, the owner must notify the City within 60 days.

C. Recertification

The Staff Analyst is responsible for monitoring homeowners assisted by the NCIP to determine their continued eligibility. As necessary, each homeowner having an existing loan under the Program may be contacted to recertify their resident status in the house securing the loan. If it is found that resident status has changed, the owner of title will be contacted to make restitution to the City of the outstanding debt.

The Promissory Note shall reflect maturity dates in five-year increments with a maximum total loan period of twenty years. Each five-year anniversary, the property resident will confirm residency. If not, the loan will come due at that time.

D. Defaults and Foreclosures

1. Defaults or foreclosures may be initiated by action of the Loan Committee if any of the following violations of the loan agreement occur:
 - a) Transfer of ownership or change of use;
 - b) Insurance coverage has lapsed or is inadequate; or,
 - c) Failure to meet obligations of loan repayment.
2. The City will make two attempts minimum to notify the owner and work with the owner regarding violations of the loan agreement.
 - a) A phone call will be made to inform the owner of the violation and explain measures necessary to correct conditions.
 - b) A site visit will be made to determine if the owner still resides at that address or if other problems exist such as a death in the family, serious medical problems, etc.
 - c) If initial contact fails to produce desired results, a written Notice of Loan Violation will be sent to the owner.
 - d) If the owner fails to provide information or mitigating circumstances cannot be verified, a final notice will be sent in the form of a certified letter. This notice will warn that the matter will be turned over to the City Attorney to initiate foreclosure proceedings or other appropriate actions.

E. Loan Repayment

1. Monthly Reconciliation

The Staff Analyst is responsible for monitoring and reconciling monthly loan records received from the loan-servicing agency. Reports are forwarded to the Finance Department and the Accounts Receivables are adjusted to reflect loan status.

2. Reconveyance

Upon receipt of loan payoff requests, the Staff Analyst:

- a) Verifies the amount of the loan payoff;
- b) Advises the title company or borrower of the amount due;
- c) Verifies receipt of balance due;
- d) Prepares a Request for Reconveyance;
- e) Forwards Request for Reconveyance, documentation of payoff and Promissory Note to the City Manager, or designee, for signature;

- f) Mails document to the company or borrower for recording;
- g) Deposits payment in the appropriate housing rehabilitation local fund account; and
- h) Notifies the loan servicing agency and the Finance Department that the reconveyed loan was completed

F. Maturity of Deferred Loans

Upon maturity of a deferred loan, the borrower has two options.

- 1. Repay the loan from private sources.
- 2. Request an extension of the loan by reapplying to the program. If the borrower qualifies for the program based on the existing eligibility criteria, the loan extension shall be approved at the interest rate and payment plan in effect at the time of the extension.

G. Additional Assistance for Clients With Existing Loans

When an eligible client has an existing loan and requires additional assistance in the form of a loan, there are two possibilities.

- 1. If there are no other liens on the property, the original loan and the second loan should be combined and recorded as a single loan. After the loan for the full amount is signed the original loan should be reconveyed.
- 2. If there are other liens on the property after the City's loan, the second loan should be signed and recorded as a second loan so that the City does not lose its position with the original loan.

H. Subordinations

The following documents shall be obtained to evaluate any request for NCIP loan subordination:

- 1. Reason(s) for subordination.
- 2. Terms, amount, interest rate of the new loan.
- 3. The proceeds of the new loan are to be used for which current and future expenditures.
- 4. Income source(s) for the applicant.
- 5. Expenditures before and after the new loan.
- 6. Preliminary Title Report for the residence.
- 7. Explanation of the reasons for any other liens on the property.
- 8. Determination of property market value by appraisal or other reasonable means.

After review of the above information, staff will prepare a recommendation to the City Manager or designee to approve or deny the subordination request.

SECTION X

APPEALS PROCEDURE

A. APPEALS PROCEDURE

Objections by the applicant or the contractor to policy, procedure or method of operation will be handled in the following manner:

1. General disputes on matters related to aspects of construction between the owner and the contractor, the City and the contractor, or the owner and the City, will be administered by the following procedure:
 - a. Matters of dispute shall be made in writing by the objecting party or parties.
 - b. A meeting will be held at the Housing and Community Services Division offices between the Housing and Community Services Manager, the Staff Analyst, the Housing Inspector, and the disputing parties in an effort to reach an agreement;
 - b. If a settlement is not reached at the first meeting, the matter will be brought to the attention of the Director of Planning and Inspection, who will attempt to facilitate a reasonable accord; and,
 - c. Finally, if the dispute remains unresolved, it will be referred to the City Manager for final resolution.
2. If a dispute is contractual in nature, the contracting parties may elect, through mutual agreement, to settle the matter by mediation or arbitration in lieu of a civil suit or the above stated administrative process. If mediation or arbitration is chosen, the procedure must be done in accordance with professionally acceptable standards. Each Party to bear their own costs for the arbitration or mediation.
3. The City Manager may elect to modify loan terms and conditions upon written appeal by the owner if conditions warrant such modifications.
4. Should Default of Foreclosure Proceedings be taken by the City Attorney, the action will follow all applicable federal and state laws governing such proceedings.

SECTION XI

PROGRAM EVALUATION AND AUDIT PROCEDURES

A. EVALUATION BY PROGRAM PARTICIPANTS

The NCIP performance will be monitored and evaluated by several methods. Owners of individual projects will be given an evaluation form for rating services provided under the Program. Overall Program performance will be evaluated based on timely implementation of the Program and progress towards any established milestones. Program performance reports are included with each project file. Results of the project evaluations will be reported to the Rehabilitation Loan Committee on a quarterly basis.

B. HUD MONITORING

Program performance is monitored by representatives of the U.S. Department of Housing and Urban Development for compliance with federal regulations and guidelines.

C. ANNUAL AUDIT

The City of Santa Clara adheres to State and federally approved standard audit procedures on an annual basis. Audit reports, prepared by certified public accountants, provide a public record of expenditures and summary of findings and recommendations.

Copies of these annual audits are submitted to HUD as required. The City is aware that it may be required to prepare and pay for an audit should HUD determine that additional financial reporting is necessary.

APPENDIX I

SUMMARY OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REGULATIONS FOR HOUSING REHABILITATION

Eligible Activities

CDBG funds may be used to finance the rehabilitation of any publicly or privately owned residential property, including the conversion of non-residential property for housing, provided such rehabilitation meets a **national objective** of the CDBG program. Reference S570.202.

Example: Housing rehabilitation includes the broad range of activities described in detail in S570.202(b) of the regulations.

Housing Rehabilitation does **not** include:

- * Creation of a secondary-housing unit attached to a primary unit.
- * Installation of luxury items, such a swimming pool.
- * Cost of equipment, furnishings, or other personal property not an integral structural fixture; such as:
 - window air conditioner
 - washer or dryer
- * Labor costs for homeowners to rehabilitate their own property
- * Stoves even if not built-in, are exceptions and may be considered as eligible expenses.

Compliance with National Objectives

Housing rehabilitation activities must qualify as meeting a national objective of the CDBG program.

In order to be eligible for funding, every CDBG-funded activity must qualify as meeting one of the *three national objectives* of the program. This requires that each activity, except Program Administration and Planning, meet specific tests for either:

- Benefiting low and moderate income persons;
- Aiding in the prevention or elimination of slums or blight; or,
- Meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

An activity, which fails to meet the applicable tests, is in noncompliance with CDBG rules.

Additional Considerations

CDBG may be used to refinance existing indebtedness of a property rehabilitated with CDBG funds in order to make the rehabilitation possible for a property owner who otherwise might not be able to meet the debt service on the property.

The grantee must make a determination that such financing is necessary or appropriate to achieve the grantee's community development objectives.

The grantee should maintain documentation showing that the rehabilitation was done with CDBG funds and that the borrower needed the refinancing in order to make the rehabilitation affordable. References: S570.202(b)(3) and S570.200(3).

APPENDIX II

CURRENT PROGRAM LOAN LIMITS

NEIGHBORHOOD CONSERVATION AND IMPROVEMENT PROGRAM

The loan limits established by the Loan Committee are:

\$10,000	Urgent/Emergency Loan Limit
\$25,000	Standard Loan Limit
\$75,000	Maximum Loan Limit

An additional 10% can be added to the project construction bid amount in order to facilitate payment for unforeseen occurrences (change orders) that inevitably happen during construction. This extra 10% contingency amount is disclosed in the Disclosure Statement and factored into the total amount shown on the Promissory Note and Deed of Trust. If the contingency amount is not fully utilized during construction, the Promissory Note amount will be adjusted accordingly, by means of an Addendum to the Promissory Note, at the end of the construction phase.

At the Loan Committee's discretion, the Maximum Loan Limit may be increased up to \$150,000 to address costs associated with the installation of a re-enforced concrete building foundation, based on the following criteria:

1. the foundation installation is for an owner-occupied residential structure;
2. the residential structure has an existing situation of a non re-enforced foundation;
3. the structure was built prior to 1940, and eligible for listing on the City's Inventory of Historically Significant Resources;
4. the rehabilitation work will conform to federal Secretary of Interior Standards for Rehabilitation of Historical Structures;

Owner agrees to record on title a historical preservation covenant (e.g.: Mills Act restriction) as state in the Historical Property Preservation Agreement, Exhibit A of Appendix II.

**RECORD WITHOUT FEE
PURSUANT TO GOV'T CODE SECTION 6103**

Recording Requested by:
Office of the City Attorney
City of Santa Clara, California

When Recorded, Mail to:
Office of the City Clerk
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Form per Gov't Code Section 27361.6

[SPACE ABOVE THIS LINE FOR RECORDER'S USE]

HISTORICAL PROPERTY PRESERVATION AGREEMENT

This Agreement, (herein, "Agreement"), is made and entered into this ___ day of _____, 200_, ("Effective Date"), by and between, _____ ("OWNER"), OWNER of certain real property located in the City of Santa Clara, California, a chartered municipal corporation, and City of Santa Clara, CA ("CITY"). CITY and OWNER may be referred to herein individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

A. Recitals.

(1) CITY administers the Neighborhood Conservation & Improvement Program ("NCIP") as a housing rehabilitation program for low- to moderate-income homeowners.

(2) CITY utilizes federal funding from the Community Development Block Grant and the Home Investment Partnerships Act programs, and from the Redevelopment Agency Affordable Housing Fund to finance housing rehabilitation undertaken by NCIP clients.

(3) The financing offered by the NCIP is provided through grants and loans to homeowners that meet qualifying criteria as set forth in the NCIP Procedural Manual, which is updated by CITY from time to time.

(4) From time to time, an applicant to the NCIP may have a special need for installation of a reinforced concrete foundation in a historically significant house that warrants a rehabilitation loan amount substantially greater than typically issued by the NCIP.

(5) OWNER possesses fee title in and to that certain real property, together with associated structures and improvements thereon, shown on the 2006 Santa Clara County Property Tax Rolls as Assessors' Parcel Number _____, and generally located at the street address, _____, Santa Clara, CA ("Historical Property"). A legal description of the Historical Property is attached hereto as "Legal Description," marked as "Exhibit A," and incorporated herein by reference.

(6) The Historical Property is on the City of Santa Clara Historic Resources Inventory.

(7) CITY and OWNER, for their mutual benefit, now desire to enter into this Agreement both to protect and preserve the characteristics of historical significance of the Historical Property, as well as to reach judgement for the issuance of a loan amount significantly larger than typically offered through the NCIP.

B. **Agreement.**

NOW, THEREFORE, CITY and OWNER, in consideration of the mutual covenants and conditions set forth herein, do hereby agree as follows:

(1) **Effective Date and Term of Agreement.** The term of this Agreement shall commence on the effective date of this Agreement, and shall remain in effect for a term of twenty (20) years thereafter. Each year upon the anniversary of the effective date, such initial term will automatically be extended as provided in paragraph 2, below. The term of this Agreement shall remain in effect independent of the NCIP loan, including any advanced loan repayment that caused the establishment this Agreement.

(2) **Renewal.**

(a) Each year on the anniversary of the Effective Date of this Agreement, ("renewal date"), one (1) year shall automatically be added to the initial term of this Agreement unless notice of nonrenewal is mailed as provided herein.

(b) If either the OWNER or CITY desire in any year not to renew the Agreement, OWNER or CITY shall serve written notice of nonrenewal of the Agreement. Unless such notice is served by OWNER to CITY at least ninety (90) days prior to the annual renewal date, or served by CITY to OWNER at least sixty (60) days prior to the annual renewal date, one (1) year shall automatically be added to the balance of the remaining term of the Agreement as provided herein.

(c) OWNER may make a written protest of the notice. CITY may, at any time prior to the annual renewal date of the Agreement, withdraw its notice to OWNER of nonrenewal. If either CITY or OWNER serves notice to the other of nonrenewal in any year, the Agreement shall remain in effect for the balance of the term then remaining, either from its original execution date or from the last renewal date of the Agreement, whichever may apply.

(3) **Standards for Historical Property.** During the term of this Agreement, the Historical Property shall be subject to the following conditions, requirements, and restrictions:

(a) OWNER shall preserve and maintain the characteristics of historical significance of the Historical Property. "The Secretary of Interior's Rehabilitation Standards," marked as "Exhibit "B" to this agreement, and incorporated herein by this reference, contains a list of those minimum standards and conditions for maintenance, use, and preservation of the Historical Property, which shall apply to such property throughout the term of this Agreement.

(b) OWNER shall, when necessary or as determined by the CITY Director of Planning and Inspection, restore and rehabilitate the property to conform to the rules and regulations of the Office of Historic Preservation of the California State Department of Parks and Recreation, the United States Secretary of the Interior Standards for Rehabilitation and the California State Historic Building Code and in accordance with the attached "Description of Rehabilitation Work", marked as "Exhibit "C" to this Agreement, and incorporated herein by this reference and approved by CITY.

(c) OWNER shall allow for periodic examinations, by prior appointment, of the interior and exterior of the Historical Property by representatives of the CITY. The CITY Director of Planning and Inspection shall determine when periodic examinations may be necessary to determine the eligibility of the property involved, and to determine the OWNER's compliance with the terms and provisions of this Agreement.

(4) Provision for Information.

(a) OWNER hereby agrees to furnish CITY with any and all information requested by the CITY to determine compliance with the terms and provisions of this Agreement.

(b) It shall be the duty of the OWNER to keep and preserve, for the term of the Agreement, all records as may be necessary to determine the eligibility of the property involved, and the OWNER's compliance with the terms and provisions of this Agreement.

(5) Cancellation.

(a) CITY may cancel this Agreement if it determines any one of the following:

- (i) the OWNER breached any of the terms or conditions of this Agreement;
- (ii) the OWNER has allowed the property to deteriorate to the point that it no longer meets standards for a qualified historic property;
- (iii) the OWNER has allowed the property to deteriorate to the point that it no longer meets standards as provided for in the Uniform Codes as adopted by the City Code, which include, but are not limited to the Uniform Housing Code, the California State Historic Building Code, the Uniform Fire Code, and the Uniform Code for the Abatement of Dangerous Buildings;
- (iv) the OWNER has not complied with any other local, state, or federal laws and regulations.

(b) CITY may also cancel this Agreement if it determines that the OWNER has failed to restore or rehabilitate the property in the manner specified in subparagraph 3(b) of this Agreement.

(c) In the event of cancellation, OWNER shall be considered in default of the terms of the NCIP loan and subject to immediate payment in full of any outstanding loan principal and interest owed.

(6) No Waiver of Breach.

(a) No waiver by CITY of any breach under this Agreement shall be deemed to be a waiver of any other subsequent breach. CITY does not waive any claim of breach by OWNER if CITY does not enforce or cancel this Agreement. All other remedies at law or in equity which are not otherwise provided for under the terms of this Agreement or in the City's laws and regulations are available to the City.

(7) Mediation.

(a) Any controversies between OWNER and CITY arising out of this Agreement or

its breach, shall be submitted to mediation upon the written request of one party after the service of that request on the other party.

(b) If a dispute arises under this Agreement, either party may demand mediation by filing a written demand with the other party.

(c) The procedure for mediation must be done in accordance with professionally accepted standards and shall occur at a time and place in the city of Santa Clara selected by the mediator.

(d) The submission of a dispute to the mediator and the rendering of a decision by the mediator shall be a condition precedent to any right of legal action on the dispute. A judgment confirming the award may be given by any Superior Court having jurisdiction, or that Court may vacate, modify, or correct the award in accordance with the prevailing provisions of the California Mediation Act.

(e) OWNER and CITY shall bear their own cost(s) of mediation.

(8) Binding Effect of Agreement.

(a) The OWNER of the Historical Property, as described in Exhibit "A" hereto, is subject to the covenants, reservations, and restrictions as set forth in this Agreement. CITY and OWNER hereby declare their specific intent that the covenants, reservations, and restrictions as set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the OWNER successors and assigns in title or interest to the Historical Property. Each and every contract, deed, or other instrument hereinafter executed, covering, encumbering, or conveying the Historical Property, or any portion thereof, shall conclusively be held to have been executed, delivered, and accepted subject to the covenants, reservations, and restrictions expressed in this Agreement, regardless of whether such covenants, reservations, and restrictions are set forth in such contract, deed, or other instrument.

(b) CITY and OWNER hereby declare their understanding and intent that the burden of the covenants, reservations, and restrictions set forth herein touch and concern the land in that OWNER legal interest in the Historical Property.

(c) CITY and OWNER hereby further declare their understanding and intent that the benefit of such covenants, reservations, and restrictions touch and concern the land by enhancing and maintaining the historic characteristics and significance of the Historical Property for the benefit, which includes, but is not limited to the benefit to the public, CITY and OWNER.

(9) Notice.

(a) Any notice required to be given by the terms of this Agreement shall be provided at the address of the respective parties as specified below or at any other address as may be later specified by the parties hereto.

CITY: City of Santa Clara
Attn: Director of Planning & Inspection
1500 Warburton Avenue
Santa Clara, CA 95050

OWNER: _____

Santa Clara, CA _____

(b) Prior to the entering a contract for sale of the Historical Property, OWNER shall give thirty (30) days notice to the CITY and it shall be provided at the address of the respective parties as specified above or at any other address as may be later specified by the parties hereto.

(10) **No Partnership or Joint Enterprise Created.** None of the terms, provisions, or conditions of this Agreement shall be deemed to create a partnership between the parties hereto and any of their heirs, successors, or assigns; nor shall such terms, provisions, or conditions cause them to be considered joint ventures or members of any joint enterprise.

(11) **Hold Harmless and Indemnification.** To the extent permitted by law, OWNER agrees to protect, defend, hold harmless and indemnify CITY, its City Council, commissions, officers, agents, and employees from and against any claim, injury, liability, loss, cost, and/or expense or damage, however same may be caused, including all costs and reasonable attorney's fees in providing a defense to any claim arising therefrom for which OWNER shall become legally liable arising from OWNER acts, errors, or omissions with respect to or in any way connected with the prosecution of the work performed by OWNER pursuant to this Agreement.

(12) **Attorneys' Fees.** In the event legal proceedings are brought by any party or parties to enforce or restrain a violation of any of the covenants, reservations, or restrictions contained herein, or to determine the rights and duties of any party hereunder, the prevailing party in such proceeding may recover all reasonable attorney's fees to be fixed by the court or mediator, in addition to costs and other relief ordered by the court.

(13) **Restrictive Covenants Binding.** All of the agreements, rights, covenants, reservations, and restrictions contained in this Agreement shall be binding upon and shall inure to the benefit of the parties herein, their heirs, successors, legal representatives, assigns and all persons acquiring any part or portion of the Historical Property, whether by operation of law or in any manner pursuant to this Agreement.

(14) **Agreement Approval.** Based upon the NCIP Loan Committee ("Loan Committee") review of OWNER's eligibility for assistance by the NCIP, this Agreement may be entered into with OWNER. The decision of the Loan Committee may be appealed to the City Manager. The decision of the City Manager shall be final and conclusive in the matter.

(15) **Recordation and Notice.** No later than thirty (30) days after the parties execute and enter into this Agreement, the CITY shall cause this Agreement to be recorded in the office of the County Recorder of the County of Santa Clara.

(16) **Ordinary Maintenance.** Nothing in this Agreement shall be construed to prevent the ordinary maintenance or repair of any exterior architectural feature in or on any Historical Property covered by this Agreement that does not involve a change in design, material, or external appearance thereof, nor does this Agreement prevent the construction, reconstruction, alteration, restoration, demolition, or removal of any such external architectural feature when the Director of Planning and Inspection determines that such action is required for the public safety due to an unsafe or dangerous condition which cannot be rectified through the use of the California State Historic Building Code and

when such architectural feature can be replaced according to the Secretary of Interior's Standards.

(17) **California State Historic Building Code.** The California State Historic Building Code ("SHBC") provides alternative building regulations for the rehabilitation, preservation, restoration, or relocation of structures designated as a Historical Property. The SHBC shall be used in the CITY's building permit procedure for any Historic Property which is subject to the provisions of this Agreement. Nothing in this agreement shall be deemed to prevent any fire, building, health, or safety official from enforcing laws, ordinances, rules, regulations, and standards to protect the health, safety, welfare, and property of the OWNER or occupants of the Historical Property or the public.

(18) **Maintenance Easement.**

(a) The OWNER, occupant, or other person in actual charge of a Historical Property or a resource, building, or structure shall keep in good repair all of the exterior portions of such Historical Property, resource, building, or structure, and all interior portions thereof whose maintenance is necessary to prevent deterioration and decay of any exterior architectural feature.

(b) It shall be the duty of the Director of Planning and Building Inspection to enforce this section.

(19) **Severability.** If any section, sentence, clause, or phrase of this Agreement is, for any reason, held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, or by subsequent preemptive legislation, such decision shall not affect the validity and enforceability of the remaining provisions, or portions of this Agreement, and shall not be affected thereby. The CITY hereby declares that it would have enacted this Agreement, and each section, sentence, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid or unconstitutional.

(20) **Integrated Agreement - Totality of Agreement.** This Agreement embodies the agreement between CITY and OWNER and its terms and conditions. No other understanding, agreements, or conversations, or otherwise, with any officer, agent, or employee of CITY prior to execution of this Agreement shall affect or modify any of the terms or obligations contained in any documents comprising this Agreement. Any such verbal agreement shall be considered as unofficial information and in no way binding upon CITY.

(21) **Captions.** The captions of the various sections, paragraphs and subparagraphs are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

(22) **Statutes and Law Governing Contract.** This Agreement shall be governed and construed in accordance with the statutes and laws of the State of California.

(23) **Amendments.** This Agreement may be amended, in whole or in part, only by a written recorded instrument executed by the parties hereto.

IN WITNESS WHEREOF, CITY and OWNER have executed this Agreement on the day and year first written above.

**CITY OF SANTA CLARA, CALIFORNIA,
a chartered California municipal corporation**

APPROVED AS TO FORM:

HELENE L. LEICHTER
City Attorney

JENNIFER SPARACINO
City Manager

ATTEST:

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax Number: (408) 241-6771

ROD DIRIDON, JR.
City Clerk

(Signature of Person(s) executing the Agreement on behalf of OWNERS(s))

By: _____
"OWNER"

Santa Clara, CA _____
Telephone: () ____ - ____

By: _____
"OWNER"

Santa Clara, CA _____
Telephone: () ____ - ____

EXHIBIT "A"

Legal Description

(behind this page)

EXHIBIT "B"

The Secretary of Interior's Rehabilitation Standards

(behind this page)

EXHIBIT "C"

Description of Rehabilitation Work

(behind this page)

APPENDIX III

CURRENT INCOME GUIDELINES FROM DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME GUIDELINES

GROSS ANNUAL INCOME

<u>FAMILY SIZE</u>	<u>Very Low Income</u>	<u>Low Income</u>
1	\$37,150	\$59,400
2	\$42,450	\$67,900
3	\$47,750	\$76,400
4	\$53,050	\$84,900
5	\$57,300	\$91,650
6	\$61,550	\$98,450
7	\$65,800	\$105,250
8	\$70,050	\$112,050

Effective February 2008

VERY LOW INCOME:

Based on 100% of Santa Clara County actual median income of \$105,500 for a household of four persons.

APPENDIX IV

SUMMARY OF LEAD-BASED PAINT REQUIREMENTS AND APPROACHES TO IMPLEMENTING LEAD HAZARD EVALUATION AND REDUCTION

	Rehabilitation		
	= \$5,000	\$5,000 - \$25,000	> \$25,000
Approach to Lead Hazard Evaluation and Reduction	Do not harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation)
	Safe work practices Clearance of work site	Safe work practices Clearance of unit	Safe work practices Clearance of unit
Options	Presume lead-based paint Use safe work practices on all surfaces	Presume lead-based paint and or hazards Use standard treatments	Presume lead-based paint and or hazards Abate all applicable surfaces

APPENDIX V

GREEN PRACTICES SCHEDULE

Energy Audit performed on all homes assisted by the NCIP.

Tier One – No/Low Cost Procedures Applied per Scope of Work:

Green Practice	Process
Low flow shower heads.	Water department offers low flow shower heads to residents at no cost.
Low flow toilets.	Install 1.2 flow toilets.
Compact fluorescent lighting.	Silicon Valley Power offers energy saving bulbs to residents at no cost.
Energy Star appliances.	Require participants to purchase Energy Star appliances.
No VOC interior paint.	Only use no VOC paints
Insulate hot water pipes.	

Tier Two – NCIP Green Practices Credits Applied to Loan Principal:

Add 4" ridged foam insulation on low slopping roofs.	60% of the additional upgrade cost of a conventional product/installment up to \$800.
Install a "Cool Roof."	60% of the additional upgrade cost of a conventional product/installment up to \$400.
Replace old existing HVAC duct systems.	60% of the additional upgrade cost of a conventional product/installment up to \$800.
On demand water heaters.	60% of the additional upgrade cost of a conventional product/installment up to \$500.
On demand momentary hot water circulating system.	60% of the additional upgrade cost of a conventional product/installment up to \$400.
Install exhaust fans in bathrooms.	60% of the additional upgrade cost of a conventional product/installment up to \$50.

Silicon Valley Power rebates are also available through Silicon Valley Power:

- air conditioning and refrigerator recycling rebates
- attic insulation
- whole house fans

CITY OF SANTA CLARA

AGENDA MATERIAL ROUTE SHEET

Council Date: Aug 19, 2008

SUBJECT: Update of the Neighborhood Conservation & Improvement Program Procedural Manual for 2008
CERTIFICATION

The proposed 2008 update of the NCIP Procedural Manual

Regarding procedures for administration of the NCIP Program

has been reviewed and is hereby certified.

PUBLICATION REQUIRED: N/A

The attached Notice/Resolution/Ordinance is to be published _____ time(s) at least _____ days before the scheduled meeting/public hearing/bid opening/etc., which is scheduled for _____, 200__.

AUTHORITY SOURCE FOR PUBLICATION REQUIREMENT: N/A

Federal Codes:

Title _____ U.S.C. § _____
(Titles run 1 through 50)

California Codes:

Code _____ § _____
(i.e., Government, Street and Highway, Public Resources)

Federal Regulations:

Title _____ C.F.R. § _____
(Titles run 1 through 50)

California Regulations:

Title _____ California Code of Regulations § _____
(Titles run 1 through 28)

City
City Charter § _____ (i.e., 1310. Public Works Contracts. Notice published at least once at least ten days before bid opening)
City Code § _____

1. As to City Functions, by

Kevin L. Riley
Department Head

2. As to Legality, by

Lindsay Speck^{HL}
City Attorney's Office NO. CAC 08.1139

3. As to Environmental
Impact Requirements, by

Kevin L. Riley
Director of Planning and Inspection

4. As to Substance, by

J. Sparacino
City Manager